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THE NATIONAL BUREAU OF LABOR,

AND

INDUSTRIAL DEPRESSIONS.¹

I.

FOR a number of years there have been in operation, in the different states, bureaux whose business it is to collect statistics of labor and industry. There are now no less than fifteen of these bureaux, and some of them have met with very considerable success.² But the trouble with all state investigations is that they are local and, however interesting to the immediate locality, cannot be used as indicating the condition of the whole community or for comparison with the countries of Europe. We suffer from this same defect in all our statistical investigations in this country, as for instance in our vital statistics. A few of the states and some large cities attempt to collect statistics of births, deaths, and marriages; but the laws are different, the methods are not uniform, and the returns lack all homogeneity. So, also, much of the work of the decennial census is necessarily crude and inadequate simply because the officials are raw and inexperienced.³

It was an event of great interest when, in 1884, Congress passed a law to establish a National Bureau of Labor, whose duty it should be to "collect information upon the subject of labor, its relation to capital, the hours of labor, and the earnings of laboring men and women, and the means of promoting their material, social, intellectual, and moral prosperity."

It was still further a matter of congratulation when the Presi-

¹ The first Annual Report of the Commissioner of Labor, March, 1886: *Industrial Depressions*. Washington, Government Printing Office, 1886.

² See an article by me on American Labor Statistics in the *POLITICAL SCIENCE QUARTERLY*, March, 1886.

³ See the remarks of Dr. Billings on the mortality statistics of the United States, in volume xi. of the Tenth Census.

dent appointed, as the head of the new bureau, the experienced and skilled chief of the Massachusetts Bureau of Labor Statistics, — the man who has done more than any other to organize and encourage efforts in this direction. Here was a prospect for a regular and uninterrupted effort to collect statistical information as to the industrial condition of the whole community. Colonel Wright himself looked upon the establishment of the new bureau with very great expectations. In an address before the convention of chiefs of labor bureaux held at Boston, he laid down the policy of the National Bureau, and outlined a plan by which the state bureaux could be brought into close co-operation with the bureau at Washington. The chiefs in return pledged their co-operation and that of their bureaux, and expressed the heartiest confidence in the new chief of the Washington bureau.¹

If these expectations are fulfilled and this promised co-operation brought about, it is not too much to say that the establishment of the National Bureau of Labor will mark an important departure in the attempt to gain knowledge of social conditions in the United States. The older countries of the world have for some time been struggling with this question how to collect satisfactory statistics of social interest. At first all effort to get statistics rested upon purely administrative motives. It was necessary to raise an army, and a census of the people was taken. The government desired to levy a tax, and a description and valuation of property was made. The administration of the customs resulted in statistics of imports and exports. The extension of poor-relief gave the number of paupers. But these statistics were collected only for the immediate locality and by the particular department concerned. Decentralization prevailed thus in a double direction, by locality and by department.

So long as statistics were employed only for administrative purposes no embarrassment was felt. But in modern times sta-

¹ See Proceedings of the Third Annual Session of the National Convention of the Chiefs and Commissioners of the various Bureaux of Statistics of Labor in the United States, held at Boston, June 29, 30, and July 1, 1885, p. 125.

tistics are used for other and equally important purposes. They are now made the basis on which a great deal of legislation is founded; that is, statesmen seek for statistical information in order to direct state action. Again, in all modern attempts to formulate a social science by the inductive method, statistics play an important part. For all our information in regard to population, the laws of birth, death, marriage; in regard to economic phenomena such as the influence of plenty and want on the community; and in regard to vice and crime, — for all this we look to statistics. The old method of collecting statistics has proved utterly inadequate to meet these demands. In many cases statistics enough were collected, but they were so lacking in uniformity that they could not be utilized. For instance in Great Britain¹ no less than thirty-four bodies collect statistics. But each department pursues its own methods and has its own classification. If I wish to inquire concerning the condition of any one class in the community, I am entirely foiled because the age-classification differs in the different offices. Suppose, for the purpose of legislation or an investigation in social science, I desire to know the condition of the juvenile male population of Great Britain, their number, death-rate, how many are paupers, how many criminals, how many emigrate, *etc.* I find a different age-classification for deaths, for marriages, for paupers, for schools, of those committed to prisons, to convict prisons, reform schools, industrial schools, for those employed in factories, in mines, victims of accidents, lunatics, emigrants, *etc.* The classifications for Ireland and Scotland differ from that for England, so that notwithstanding the immense mass of statistics collected and published by the British government, it is impossible to use them for scientific purposes.

The condition of things in the United States is just as bad as in Great Britain. We have the local decentralization by states of which I have already spoken. Then we have departmental decentralization at Washington. There we have a statistical

¹ See, for this whole subject of collection of statistics, a report made by a committee of the House of Commons in 1881.

bureau for the State Department, one for the Treasury, one for agriculture, one for labor, besides the decennial census. But all the statistics are not found in the publications of these statistical bureaux, but lie scattered in the numberless reports of all the different departments of government.

The evils of this condition of things are so great that in Europe efforts have been made and are now making to remedy them. The remedy is greater centralization in the work of gathering statistics, or at least some such control by a central board over the different departments as to insure uniformity in method and classification. In England they are working towards something of this sort by throwing the work of publishing statistics more or less into the hands of the statistical department of the Board of Trade. In Germany and in Prussia they have attained the end by establishing one central bureau for the collection and publication of the statistics of the whole country. And at Vienna, Rome, and Paris we can see a similar tendency, which reaches its highest manifestation in the establishment of an Institute of Statistics¹ for the purpose of introducing international uniformity in statistics.

We hope that the establishment of the Bureau of Labor at Washington may lead to some result of this sort in the United States. If the National Bureau can exercise some controlling influence over the state bureaux, we shall avoid the evils of local decentralization which make the work of the latter of so little interest and value. Then, if there can be some centralization in the departments at Washington by which uniformity can be introduced into our national statistics, we shall be great gainers by the operation. This work of enforcing uniformity naturally falls to this new bureau, for almost all the statistics now collected are industrial in their character and have to do with the question of labor. Finally, we may hope that the decennial census, which is also largely industrial in its character, may come into the hands of the new bureau, so that we may have the advantage of experienced officers and complete apparatus. Colonel Wright has set the example in his own state of

¹ See Jubilee Volume of the London Statistical Society, 1885.

Massachusetts, where the census of 1885 was entrusted to the officers of the already established Bureau of Labor Statistics.

From the above considerations, this first annual report of the new bureau must be regarded with considerable interest. Are the methods there displayed such as to invite confidence in the efficiency of its administration and to encourage the hope that its establishment will lead to more satisfactory results in the effort to get statistical knowledge of the industrial and social condition of this country? On the whole we may answer this question in the affirmative. Of course one must recollect that there were but eight months in which to prepare this first report, and that the whole machinery of the office had to be created. Notwithstanding these difficulties, we have in this first report a mass of information of very considerable value.

Only two mild criticisms may perhaps be allowable. One is, that the subject chosen, industrial depressions, is rather an unfortunate one. It is a very wide subject and one on which great diversity of opinion prevails, and, moreover, one which it is very difficult to investigate statistically. The strength of a statistical bureau does not lie in sending agents about and getting the opinions of economists and business men. Any enterprising newspaper, or any congressional committee with the power of summoning witnesses, can do that. The method of an organized bureau must differ from such methods, or its results will have only the same doubtful value.

Again, the first requisite of a scientifically conducted bureau, as Colonel Wright has often exemplified in his Massachusetts reports, is that the processes by which the conclusions are reached shall be fully exposed. This is not altogether satisfactorily done in the present report. We are vaguely referred to agents who have interviewed leading economists and prominent business men of the United States and Europe, but that is all. So far as the larger part of the report is concerned (with the exception of some voluminous tables of cost of production, wages, and cost of living, of which no use is made) it might have been written by the chief himself, in his study, with a good library of political economy and the files of the leading

papers before him. In fact to any one acquainted with the recent Massachusetts reports of Mr. Wright, the internal evidence is strong that the report was very largely his personal work. It is true that the opinion of such an expert is of very great value, but it is not an official investigation. With these minor criticisms, which are rather ungrateful when one considers the difficulties in the way of this first investigation, we will turn to the subject of the report itself; *viz.*, Industrial Depressions.

II.

The characteristic mark of the nineteenth century is its colossal commercial and industrial development. In that struggle with nature which has made up man's life from the beginning, he has now placed in his hands weapons which enable him to make great conquests in the realm of the unknown and the insurmountable. He has gained powers of locomotion which open up to him the whole surface of the globe. Ships and railways bring him the products of every clime. The telegraph carries his messages with the speed of the lightning, and the steam-engine digs mines, crushes ore, forges metal, revolves spindles, ploughs land, threshes the grain, grinds flour and performs the most arduous and difficult operations by which raw material is transmuted into useful commodity.

With this commercial and industrial development the organization of society has become wonderfully extensive and complex. Population has increased; industry employs millions of men; capital accumulates great sums of money; financial systems grow complicated and sensitive; every individual and nation becomes dependent on other individuals and other nations; until it may be said with entire truth that our present social organization is not only an advance on everything that has preceded it, but is almost *sui generis*, different in kind from early and mediæval stages of culture.

But just as the higher animals are subject to dangers from change of environment and conditions of life unknown to the lower; and just as progress brings to the civilized man ner-

vous diseases, tendencies to insanity and suicide, sufferings from disappointed ambition, vain regrets and remorse, unknown to the savage ; so our modern industrial organization is subject to periodical reverses which we call panics, commercial crises or industrial depressions. The dates 1826, 1837, 1847, 1857, 1866, 1873 and 1882 are familiar figures to every economist and man of affairs. Such crises are not confined to one country. They are most sharply defined in the more highly developed nations like Great Britain and the United States ; but Germany, France, Belgium and even Italy and Spain experience them as soon as they enter the circle of the great industrial nations of the world. In fact, as our industrial organization becomes more complicated, these crises are more widely extended and of longer duration. Local characteristics are unavailing to destroy the general similarity. Protectionist and free-trade nations, gold-standard and double-standard countries, peoples with extended banking facilities, and those with limited credit, even agricultural communities as well as industrial ones — all suffer and succumb. The ships of England lie idle because they have nothing to carry ; and the Western farmer in America burns his grain because he has no market for it.

No more important problem presents itself to political economy than the cause of and remedy for these industrial depressions. Unfortunately the science has as yet no definite solution of the problem, and stands confounded before a phenomenon which disconcerts all its theories of the production of wealth and the action of free competition. In fact the economist stands like a physician before a new disease, whose symptoms are so general that he is unable to make a complete diagnosis, and yet whose effects are so serious as to demand heroic remedies which he dares not apply for fear of making a mistake and killing the patient. The only hope in such a state of affairs is that additional experience may enable us to understand the case and discover a remedy ; but the peculiarity about industrial crises is that although we have had half a dozen of them during the last fifty years, the circumstances have changed so much that each one is practically a new phenomenon. It is, to

return to the illustration, as if a physician should come across the new disease again, but this time in a patient whose constitution is peculiar and entirely unlike that of any person who had ever had the disease before.

The economists can console themselves, however, with the thought that they are no more at a loss to explain commercial crises than are the practical men of affairs who are in direct contact with the phenomena. This report of the Washington bureau gives a very amusing classification of the causes assigned for industrial depressions by witnesses before congressional committees of inquiry.¹ These causes fall under no less than 180 heads. Many of them are of the most contradictory character. Examples are as follows: contraction of the currency, inflation of the currency; issue of greenbacks, resumption of specie payments; demonetization of silver, remonetization of the same; the protective tariff, agitation of the tariff; indirect taxation, needless taxation, unequal taxation, tax on land, tax on capital, under-taxation of capital, under-taxation of income, *etc.* Under "laws" we have bankrupt laws, conspiracy laws, land laws and navigation laws. Men complain also of monopoly of land, of telegraphs, of railroads, of invention, *etc.* Some of the causes assigned are ridiculous; *e.g.*, the adulteration of food, want of training of girls for future duties, tobacco, instinctive and widespread indolence.

Where, then, are we to seek an explanation of these very important economic phenomena? The economist alleges vague general causes, such as the increasing complexity of the modern industrial organization. The practical business man adduces only those causes which directly affect him. Neither offers an explanation which is at the same time definite and satisfactory. On the other hand we have in this report of the Bureau of Labor a systematic effort to investigate the subject on the basis of fact and with recourse to the best theoretical knowledge. The bureau has employed no less than twenty-five agents to collect statistics and gather information; and their reports have been worked through, and the results systematized, by the chief

¹ See Report, p. 61.

of the bureau, an expert economist. It seems as if we had here that union of theoretical knowledge and practical acquaintance with affairs necessary to explain phenomena at once so concrete and so intricate. What, according to the Bureau of Labor, are the causes of the present industrial depression ?

After determining the extent of the depression¹ and affirming that nearly one million of men are out of employment, which cripples the consumptive power of the community by at least \$300,000,000, "a sum sufficient to cause a reaction in business and a general curtailment of expenses, from which result apprehension and timidity among all classes," the bureau enumerates the following causes of the depression :² falling prices, over-production, the variation in the cost of production, the variation in the rate of wages, speculative railroad building, under-consumption, tariff inequalities, and "miscellaneous." Of these, falling prices is of course a cause of industrial depression. When prices are low and continually sinking lower, the effect on all producers must necessarily be discouraging. All enterprise is stopped ; men employ as little labor as possible, and do not desire to accumulate a stock of goods whose value threatens to be less than the raw material and the cost of producing them. But falling prices are not in themselves the explanation of the depression. It is necessary to know what causes the falling prices. They may be due simply to increased cheapness of production, which will soon rectify itself ; or they may be due to such causes as the scarcity of gold or the loss of consuming power on the part of the community, the final outcome of which no one can foresee. To allege falling prices as a cause of an industrial crisis is possibly to confound cause and effect — at any rate to substitute the superficial for the fundamental.

Of the other causes mentioned above, variations in the cost of production and in the rate of wages are not themselves causes of industrial depression ; and, although the bureau has made elaborate investigations in these two directions,³ yet these

¹ Report, p. 66.

² Report, p. 79.

³ The statistics on these two points cover 268 pages of the Report; *viz.*, pp. 90-242 and pp. 295-410.

efforts, by confession of the bureau itself, do not bear directly on the question in hand. Speculative railroad building has probably had something to do with the present depression, but it really falls under the head of over-production, which we shall notice presently. The tariff and "miscellaneous" causes, such as the banking system, the silver question, *etc.*, may safely be set aside, as they are by the bureau, as possibly contributing but not primary causes. The two causes that remain to be noticed are over-production and under-consumption. Under these somewhat vague terms we have doubtless the explanation of the present difficulty. A closer analysis of the facts published by the bureau will repay us.

By over-production we mean that more capital and labor have been applied to the production of a certain commodity than is necessary to satisfy the demand in the particular community or in the world for that article. If for instance England has been producing enough cotton goods to supply the world, and factories are established successively in the United States, in France, in Germany, and in Belgium, which supply not only the home market but compete in the foreign markets, then there will inevitably be an over-production of cotton goods. Or if speculative railroad building causes a great increase in rolling-mills, and the building suddenly ceases, then there will be an actual or potential over-production of railroad iron. And so it goes on through the entire list of commodities which come, at one time or another, under the influence of speculation or of an abnormal demand with prospect of unusual profits.

Over-production is a phenomenon which may occur at any time, in any commodity, and be due to any one of a great variety of causes. In the eyes of practical business men the present over-production is due to the general introduction of labor-saving machinery by which we produce on an enormous scale and with greatly increased cheapness. The bureau has brought together a great mass of facts illustrating this increased power of production and the displacement of labor which follows.¹ In one establishment, manufacturing agricultural implements,

¹ Report, p. 80.

600 men do the work which under former conditions would have required 2145 men. In the manufacture of small-arms, where one man by manual labor was formerly able to turn and fit one stock for a musket in one day, three men will turn and fit 125 to 150 stocks in the same time. In the manufacture of shoes 100 men now do the work of 500 men using hand processes, a displacement of 80 per cent. In making carriages, where it formerly took a given number of workmen 35 days to produce a carriage, it now takes them but 12 days. In the manufacture of patent leather there has been a saving of nearly 50 per cent; in the manufacture of machines and machinery, of 40 per cent; in the production of metallic goods, of 33 $\frac{1}{3}$ per cent; in the silk manufacture, of 50 per cent; and so on in numberless cases. In the oil industry the new pipe-lines have displaced the labor of 5700 teams of horses and double that number of men. The result of this universal introduction of machinery is, as the bureau points out, a greater supply of commodities than can be disposed of, a displacement of labor, and a consequent under-consumption. This last phenomenon is coexistent with over-production, and is its effect. It comes about because the unemployed workmen can no longer purchase commodities. It comes about because falling prices cause a general timidity and apprehension which lead people to curtail their purchases. It is not in itself a cause of commercial depressions, but is associated with over-production and should be classified with it.

Such is the explanation offered by the bureau and the practical business man of the present industrial depression. So far as it goes it is true. The economist has only an additional explanation to make: How does it happen that when enough of a commodity is already produced, men should still go on producing? In the nature of things supply should be regulated by demand, and in that case there would be no over-production because the supply would only follow the demand. The explanation is that in our present industrial organization we produce on a large scale for an unknown market. In old times the shoemaker made a pair of shoes for the man who ordered

them; now our manufacturers make thousands of dozens in advance of the demand. If they can do this so as to undersell others, they have an unlimited market. But if another undersells them, they lose the entire market.¹ It is the same way in agriculture. The American farmer ruined the English; and now the Indian wheat threatens to displace the American in the European market.

Such being the practical and theoretical view of the present industrial depression, it is not of much use to discuss remedies. The witnesses before congressional committees have as many remedies and of as peculiar character as the causes we have mentioned on a previous page. The bureau² and the practical business man seek special legislative measures, such as the restriction of immigration, the enactment of laws to stop speculation, the establishment of boards of arbitration to settle industrial difficulties; or change in business methods, such as contraction of credit, co-operation, and industrial partnerships. The economist finds no single cure, nor any remedy which by itself would be very effectual, but looks at all these proposals in the light of their influence on an industrial organization, which must undergo very considerable transformation before it reaches a condition of stability and safety.

RICHMOND MAYO SMITH.

¹ This view of modern industry has been developed by socialistic writers, particularly Ferdinand Lassalle. See his numerous pamphlets.

² Report, p. 271.